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PROBABLE DEVELOPMENTS IN YUGOSLAVIA



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PROBABLE DEVELOPMENTS IN YUGOSLAVIA

THE PROBLEM

To estimate (a) the current situation in Yugoslavia and probable future developments in Yugoslav domestic and foreign policies, and (b) the effect of these developments upon the international position of Yugoslavia.

CONCLUSIONS

1. Yugoslavia remains a Communist dictatorship, with Tito in unquestioned control. The majority of the population is still opposed to the Tito regime. However, barring a Soviet/Satellite attack, there is almost no likelihood that it will be overthrown in the foreseeable future.

2. The present regime owes its strength and stability in large measure to Tito's dominant position. In the event of his death, a successor regime would probably attempt to continue the main outlines of his internal and external policies. However, it is possible that a struggle for power would develop, with results which we cannot now estimate.

3. The Tito regime, with substantial outside assistance, has made some progress in overcoming Yugoslavia's many post-war economic problems. Completion of the current investment program over the next three years would lessen his dependence on outside economic aid. However, continued maintenance and improvement of the armed forces will require outside military aid for a considerable period.

4. Although Tito is aware of the scheduled cutbacks in US aid, he may not take

the steps necessary to reduce his dependence on US economic aid in the hope that the strategic importance of Yugoslavia to the US would lead the US to underwrite Yugoslavia's foreign exchange deficits.

5. We do not believe Tito will abandon his policy of socializing agriculture, but the timing and execution of this policy will depend on his need to retain US support and to maintain agricultural production.

6. We do not believe that Yugoslavia will rejoin the Soviet Bloc as long as the Tito regime remains in power. The Kremlin may, however, attempt to weaken Tito's ties with the West through increasingly conciliatory gestures toward Yugoslavia and to undermine Tito's internal position.

7. Although Yugoslavia could repel an attack by a single Satellite, it does not have and will not be able to develop the capability to defend the plain of north-east Yugoslavia against a Soviet/Satellite invasion or a concerted Satellite attack logistically supported and centrally directed by the USSR.

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8. In the initial stages of such a war, we believe that the Yugoslav armed forces would offer vigorous resistance to the invaders and that the Tito regime would be able to withdraw sizable organized ground units to the mountainous regions. After such a withdrawal the effectiveness and duration of organized resistance or guerrilla activity is difficult to estimate. First, a major campaign by Soviet/Satellite forces would almost certainly be able to wipe out all organized resistance, however determined, in the absence of prompt and substantial Western military support. Second, under the impact of military defeat the opportunities for popular defection would increase and the Tito regime might even lose control over some of its armed forces. In those circumstances, anti-Tito guerrilla units might be formed, thus reducing the effectiveness of guerrilla activity against the Soviet Bloc invaders.

9. Yugoslavia's basic attitude toward cooperation with the West in defense against Soviet aggression is to obtain the maximum Western commitments for Yugoslavia's defense while allowing minimum Western influence over Yugoslavia's domestic and foreign policies. In future talks with the Tripartite Powers (the US, UK, and France), Yugoslavia will probably continue to seek greater commitments from the NATO powers and may point to its membership in the Ankara Pact as justifying some form of closer

Yugoslav association with the NATO powers. We believe that Yugoslavia will not press for full membership in NATO until it is convinced that only by doing so can it obtain the commitments it desires.

10. Italo-Yugoslav relations, strained by the Trieste issue and the anti-Catholic policies of the Tito regime, constitute a major stumbling block to closer Yugoslav cooperation with the West. Resolution of the Trieste issue will not be easy, but Yugoslavia will probably continue to seek an improvement in relations with Italy in order to reduce one of the major obstacles to fuller Yugoslav participation in European defense arrangements.

11. We believe that the Yugoslavs have no present intention of precipitating a coup against the Hoxha regime. They probably calculate that to do so would create serious risks of provoking Western disfavor and Soviet retaliation. They probably would stage a coup, if they thought it could be done without incurring these risks; they might therefore be willing to cooperate with other powers in a coup attempt at some future date. However, Yugoslavia's cooperation probably would be contingent upon sufficient Yugoslav control over the method and nature of the coup attempt to minimize the dangers to Yugoslavia and upon a belief that Yugoslavia could eventually dominate the new Albanian regime.

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DISCUSSION

PROBABLE POLITICAL TRENDS

12. Yugoslavia remains a Communist dictatorship, with Tito in unquestioned control. The essential elements of power are in the hands of a small group of men who control the armed forces and security police and who hold interlocking positions in the Communist party, the governmental apparatus, and the mass organizations, on a national as well as a provincial level. The majority of the population is still opposed to the Tito regime, but the regime is in firm control of the country, and barring a Soviet/Satellite attack there is almost no likelihood that it will be overthrown in the foreseeable future.

13. Since 1950, Yugoslavia's political and economic system has undergone numerous changes although there is no evidence the regime is abandoning its own brand of Communist principles. Some restrictions on political activity and freedom have been lifted, economic planning and controls have been decentralized to some extent, a new constitution has been adopted, and peasants have been permitted to withdraw from agricultural collectives. These changes were probably adopted in an attempt to increase popular support for the regime, particularly among the peasants, to provide additional incentives for greater production, and to make a good impression on the West. At the same time, in order not to alienate doctrinaire Communists in Yugoslavia, these changes have been explained by the regime as manifestations of the true principles of Marx and Lenin.

14. The regime, nevertheless, has certain weaknesses and faces certain problems:

a. Internal Disagreements: There is a widening gap between the leadership and the Communist rank-and-file. The majority of the Communist leaders participated in the World War II Partisan movement under Tito and have held responsible positions since then. Their common background, their limited Communist experience outside of Yugoslavia, and their loyalty to Tito help account for the solidarity of the party high command

and the few changes in party leadership since World War II. However, competition for the outward trappings of power (villas, automobiles, etc.) and corruption in high Communist circles are increasing. This has caused dissension in the ranks of the doctrinaire elements and aroused resentment and envy among those who joined the Communist party (FCY) primarily to gain power and prestige. Differences in tactics have also developed between the leadership and the doctrinaire Communists. Although these differences will probably increase and may cause increasing difficulties, they almost certainly will not threaten Tito's control in the foreseeable future. We do not believe that Moscow will be able, by exploiting this dissension, to bring Yugoslavia back into the Satellite fold so long as the present regime remains in power.

b. Peasant Opposition: During the past eight years Tito has had little success in overcoming peasant opposition to his regime or in socializing the agricultural sector of the economy. By June 1950 about 22 percent of total arable land was collectivized. This has fallen to an estimated 19 percent and Yugoslav officials expect a further sharp reduction as a result of the decree of 30 March 1953 which permits peasants to withdraw from collectives. However, any effectiveness which this decree may have in lessening peasant hostility will almost certainly be offset by: (1) continued government assurances that it has not abandoned its intention to socialize agriculture; (2) the fact that the subsequently announced land reform program limiting private holdings to about 25 acres is actually designed to further agricultural socialization; (3) a new system of rural taxation which gives the government a strong weapon for discriminating against private peasants; and (4) continued government controls over the marketing and distribution of agricultural products.

c. Nationality Groups: The Tito regime claims to have made great strides toward eradicating the traditional antagonism between the country's various national

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groups — Serbs, Croats, Slovenes, Montenegrins, and Macedonians. It has laid great stress on preserving full and equal rights for all nationalities and on insuring that all are proportionately represented in the government. However, there is evidence of continuing hostility between national groups, particularly between Serbs and Croats. Nationalist antagonisms pose no threat to the Tito regime. They might become a problem in the event of war and might be more serious in a struggle for power after Tito's death.

d. Religious Groups: The Tito regime has had only limited success in combating Roman Catholic, Serbian Orthodox, and Muslim influence on the Yugoslav people. Despite the regime's strenuous efforts to gain control of the church organizations and to weaken their power, church attendance has, if anything, increased in recent years, and the antagonism of the clergy and laity toward Tito's religious policies remains undiminished. The Tito regime will probably be restrained from taking more severe repressive measures against religious groups for fear that opposition to such measures would take a violent form and would antagonize the West. Religious influences will probably continue, therefore, as important factors in maintaining popular opposition to the Tito regime.

15. The present regime owes its strength and stability in large measure to Tito's dominant position. He commands the personal loyalty of all top Communist leaders and has also gained some stature among non-Communist Yugoslavs through his effective defense and promotion of Yugoslav national interests. He has centralized in his hands the principal elements of power. This dependence of the regime on Tito's power and prestige may, in the long run, be an element of weakness. None of the top Communists appears to possess Tito's qualities of leadership. Although no evidence exists concerning succession plans, his successor might be: (a) a member of the Secretariat of the Executive Committee (Politburo), probably either Kardelj, Gosnjak, or Rankovic; (b) a triumvirate of these men who represent the major national groups; or (c) a man such as Vuk-

manovic, a newcomer to the Executive Committee and a man of increasing prominence. The successor regime would probably attempt to continue the main outlines of Tito's internal and external policies. However, it is possible that a struggle for power would develop, with results which we cannot now estimate.

PROBABLE ECONOMIC TRENDS

16. Yugoslavia is a predominantly agricultural and industrially undeveloped country. Its per capita output is significantly below that of Poland, Czechoslovakia, and Hungary, and approximately equal to that of Rumania and Bulgaria. It has limited supplies of capital and capital equipment and is weak in scientific capabilities, managerial skills, and skilled labor. Agricultural output is hampered by obsolete technical methods. However, Yugoslavia does have fairly large undeveloped supplies of many basic resources needed for industrial expansion — coal (mainly lignite and brown coal), iron ore, water power, bauxite, non-ferrous ores, and certain non-metallic minerals.

17. The Communist regime under Tito at first attempted to implement traditional Marxian economic policies. It nationalized nearly all sectors of industry, pushed socialization of agriculture, and embarked on an ambitious industrialization program. In 1950, the comprehensive system of controls over the economy was somewhat decentralized. In 1952, the Tito regime inaugurated its "New Economic System," which is an attempt to provide production incentives and improve productive efficiency without abandoning fundamental state control of the economy. Greater reliance was placed upon taxation, credit policy, and marketing regulations as against direct production controls, and greater latitude and responsibility was given to individual enterprises in the matter of wage payments, prices, and marketing outlets.

18. Yugoslavia's principal economic difficulties today stem in large part from the overemphasis on expansion of heavy industry at the expense of consumer industries and agriculture, inexperience in managing a con-

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trolled economy, the severe droughts of 1950 and 1952, the drastic reorientation in foreign trade occasioned by the break with Moscow in 1948, and the need to maintain large armed forces. One manifestation of these problems is an imbalance in Yugoslavia's international payments. Yugoslavia would not have been able to continue its economic program and maintain and increase the effectiveness of its armed forces without substantial outside aid. Reconstruction of war damage was made possible by UNRRA grants; shipments under US, UK, and French grants (exclusive of military equipment under the Mutual Defense Assistance Program (MDAP) totaled \$89.1 million in fiscal 1951, \$127.5 million in fiscal 1952, and \$127.7 million in fiscal 1953. Moreover, the Yugoslav Government has an external debt totaling \$390 million, most of which was incurred since 1950. The Yugoslav Government was informed in 1952 that economic aid would be progressively reduced and withdrawn as soon as possible. Planned shipments for fiscal 1954 will total \$75 million.

19. Assuming normal agricultural production and approximately present consumption levels, Yugoslavia's ability to adjust to a reduction and eventual withdrawal of outside economic aid will to a large extent depend on its continuing success in refunding portions of its external debt, on the magnitude of its requirements for additional foreign exchange generated by the MDAP to modernize the armed forces, and on the government's policy toward investment.

a. Investment Policy: By 1950 it became apparent to Yugoslav leaders that they could not fulfill their overly ambitious and ill-conceived Five-Year Plan (1947-1951). The government therefore adopted a "key projects" program, smaller in magnitude and concentrating on those industrial projects likely to make early improvement in the balance of payments position. Some of these projects are scheduled for completion by 1954 and the entire program by 1957. The amount of foreign exchange to be gained annually through the savings on imports and the increase in exports resulting from this investment program are estimated to be at least \$48

million by 1955 and about \$75 million by 1957. Whether these foreign exchange gains will actually be realized depends on whether the government carries through with its announced intention, as the "key projects" are completed, to allocate a greater proportion of investment funds to consumer industries, agriculture, and transportation, which require less foreign exchange for imports of capital equipment.

b. Defense Requirements: Yugoslav ability to overcome its balance of payments deficit will also depend on the extent to which imports will be required to support MDAP program for modernizing Yugoslavia's armed forces. MDAP will increase requirements for such items as special fuels and ammunition, spare parts, construction equipment, etc. The need for spares, replacements, and support commodities under the present MDAP program will continue to increase at least until 1957.

20. The over-all economic policy of the Tito regime during the coming years will depend to some extent on Tito's estimate of US policy toward Yugoslavia. If, on the one hand, he is convinced that the level of US economic assistance will diminish or be withdrawn, he might be under pressure to implement his announced policy to cut back his heavy industry investment program in favor of consumer industry and agriculture, and perhaps to further liberalize economic controls. By so doing he would conserve foreign exchange for purchase of military items and provide incentives to greater production, but we are unable to estimate whether this could result in achieving a balance of payments without foreign aid. On the other hand, Tito may estimate that the strategic importance of Yugoslavia to the US is so great that the US will revise its aid policies and feel compelled to underwrite Yugoslavia's foreign exchange deficits. He may, therefore, take the risk of pushing ahead on a new program of heavy industrial investments, regardless of short-run foreign exchange deficits, in order to hasten the time when Yugoslavia can become more independent of the West in capital equipment and military supplies.

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21. We do not believe Tito will abandon his policy of socializing agriculture and bringing the peasants more firmly under government control. However, the timing and execution of this policy will depend on his need to retain US aid and to maintain agricultural production. Vigorous moves toward agricultural socialization would not only increase peasant hostility and thus reduce production, but would provoke Western criticism and run the risk of reducing Western support.

PROBABLE MILITARY TRENDS

22. The Yugoslav armed forces and security police are under the effective control of the Tito regime and the Communist party, and constitute a major element in the exercise of the regime's control over the country. Control of the armed forces is maintained by party and police representatives in the armed forces and by a political indoctrination program supervised by the Ministry of Defense. The majority of officers are believed to be Communists who are loyal to Tito. We believe that the armed forces are capable of maintaining internal security under any foreseeable circumstances short of war.

23. The Yugoslav army now consists of 325,000 men organized into 31 divisions of which 3 are armored. The army is currently deployed to meet threats from the Satellites. Its size is not expected to increase significantly, but considerable improvement in equipment and efficiency will almost certainly result from current MDAP aid. Its fighting ability by Balkan standards is high. It is supplemented by 35,000 members of the Frontier Guards. About 50 percent of existing units are considered ready for combat. Major shortages of equipment include field artillery, antitank and antiaircraft guns, and armored vehicles. The army is capable of expansion within 30 days to 1,200,000 men organized into 45 line divisions. In the event of full mobilization, new units could be fairly well equipped with small arms and automatic weapons, but would lack heavier weapons and supplies. Morale is good and should continue to improve. The army is well trained through the regimental level.

24. The Yugoslav air force has approximately 1,000 World War II type aircraft, with 700 assigned to tactical units. The air force's principal missions are air defense and tactical support of ground forces; in accomplishing these missions current air force capabilities are negligible. The fighter strength of 120 US Thunderbolts (F-47), 60 Yugoslav S-49's,¹ and 115 YAK's and ME-109's is scheduled to be augmented in 1954-1955 by approximately 200 late model F-84 jets. Receipt of these aircraft and increased technician and pilot training will improve Yugoslav air capabilities. However, full realization of these capabilities will depend upon the continued development of adequate air facilities.

25. The Yugoslav navy comprises 4 coastal destroyers, 2 submarines of which one is non-operational, 80 patrol vessels including 52 motor torpedo boats, 28 mine vessels, 26 amphibious craft, and approximately 100 auxiliary craft. Although equipment and technical training will improve under the US naval aid program, the navy's capabilities are extremely limited. In the event of hostilities, the Yugoslav navy would be useful in mine-laying, minesweeping, and patrol operations along the Adriatic coast. It could launch limited surprise attacks by small torpedo craft. Its capabilities in submarine and antisubmarine warfare are negligible.

26. Yugoslavia is not capable of producing all equipment, munitions, and supplies necessary for the support of its present armed forces. Domestic production is currently sufficient to meet Yugoslavia's needs for infantry weapons, grenades, mines, explosives, and quartermaster and medical supplies. However, Yugoslavia produces no heavy artillery or tanks, only a few piston engine fighters, and, with the exception of one destroyer in the process of construction, only auxiliary naval craft. Yugoslavia's armament and munitions production is limited principally by shortages of steel, machine tools, and skilled

¹ A piston single engine fighter capable of 330 knot top speed and having performance characteristics similar to the Russian YAK-3 and the ME-109.

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technicians, rather than by shortages of raw materials. Substantial foreign aid over a long period would be required to overcome these deficiencies.

27. Assuming no change in the scheduled Western military aid program, the Yugoslav armed forces will continue to improve steadily as the influence of new equipment and improved training standards is felt. No major change in unit or personnel strength of the active forces is anticipated. Nevertheless, through 1955 Yugoslav armed force capabilities will continue to be limited by: (a) insufficient quantity and obsolescence of certain types of equipment; (b) heterogeneity of much equipment despite increasing supplies of US equipment; (c) lack of spare parts and shortage of ammunition for certain weapons; (d) continuing shortage of heavy equipment, particularly of heavy artillery and armored vehicles; and (e) lack of experience in higher command and staff functions.

28. Although Yugoslavia could repel an attack by a single Satellite, it does not have and will not be able to develop the capability to defend the plain of northeast Yugoslavia against a Soviet/Satellite invasion or a concerted Satellite attack logistically supported and centrally directed by the USSR.

29. In the initial stages of such a war, we believe that the Yugoslav armed forces would offer vigorous resistance to the invaders and that the Tito regime would be able to withdraw sizable organized ground units into the mountainous regions. After such a withdrawal the effectiveness and duration of organized resistance or guerrilla activity is difficult to estimate. First, a major campaign by Soviet/Satellite forces would almost certainly be able to wipe out all organized resistance, however determined, in the absence of prompt and substantial Western military support. Second, under the impact of military defeat the opportunities for popular defection would increase and the Tito regime might even lose control over some of its armed forces. In those circumstances, anti-Tito guerrilla units might be formed, thus reducing the effectiveness of guerrilla operations against the Soviet Bloc invaders.

PROBABLE RELATIONS WITH THE USSR

30. The death of Stalin has stimulated speculation regarding the possibility of a Yugoslav rapprochement with Moscow. Despite the moves toward the normalization of diplomatic relations between Yugoslavia and the USSR, propaganda attacks by each side, especially between the Satellites and Yugoslavia, remain virulent, and if anything have increased in number. More important, there are serious obstacles in the way of a fundamental rapprochement between the Kremlin and Tito.

a. The Kremlin would almost certainly never again trust Tito to head a Satellite state. It would also probably be unwilling to make the concessions necessary to bring Tito back into the Soviet Bloc because of the adverse effect such concessions would have on Soviet relations with the Satellites and the Western European Communist Parties.

b. Tito has more to lose than does the Kremlin by a rapprochement. Tito would be most reluctant to give up the international stature he has gained since the Cominform break. Moreover, he almost certainly realizes that no agreement he might be able to make with Moscow would deter the Kremlin from purging him at the first opportunity. In terms of economic and military assistance, Tito is also faring far better at the hands of the West than he did while allied with the Kremlin — and with no direct threat to Yugoslav independence or Tito's personal power position.

31. Nevertheless, the Kremlin has considerable room for maneuver in dealing with Tito. The Kremlin could increase its recent conciliatory gestures toward Yugoslavia, without damaging its position with the Satellites. Such moves as resumption of normal diplomatic relations, trade offers, and a toning-down propaganda attacks might have the effect of: (a) weakening a major cohesive force in Yugoslavia, namely fear of Soviet/Satellite invasion; (b) increasing Soviet prestige among those Yugoslav Communists who retain pro-Cominform sentiments; and/or who believe that Tito is moving away from Marxist principles; (c) encouraging Tito to a greater degree of independence in his bargaining with

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the West; and (d) creating Western doubts concerning Tito's willingness and ability to resist Soviet blandishments.

32. Although surface relations between the two countries may become more correct, we believe that neither Soviet blandishments nor threats will succeed in returning Yugoslavia to Satellite status as long as the Tito regime remains in power. Tito and the other Communist leaders have too much to lose from such a development. Furthermore, we believe the Tito regime is capable of detecting and quelling any Soviet-directed subversive activities within Yugoslavia before they become a serious threat to the regime. We are unable to estimate at this time what the impact of Tito's death on Yugoslav-Soviet relations would be especially if his death should produce factional strife in the Communist party and the government.

PROBABLE RELATIONS WITH THE WEST

33. In developing his relations with the Western Powers, Tito has been subject to several different and often conflicting influences. His fear of Soviet aggression has compelled him to seek military and economic assistance from the West. On the other hand, he cannot associate closely with the Western Powers without some danger of alienating doctrinaire Yugoslav Communists. Moreover, although Tito must wish to retain his international position as a champion of true Marxism who has successfully defied the Kremlin, he must also be aware of Western antagonism towards his Communist dictatorship.

34. Yugoslavia's basic attitude toward cooperation with the West in defense against Soviet aggression is to obtain the maximum Western commitments for Yugoslavia's defense while allowing the minimum Western influence over Yugoslavia's domestic and foreign policies. Tito desires greater participation in plans for over-all European defense, in order to obtain specific Western military commitments in case of a Soviet/Satellite attack. Although Yugoslavia entered into the recent Ankara Pact with Greece and Turkey primarily in order to strengthen regional defense, it also hoped to obtain some of the

advantages of NATO membership. Tito probably fears that full membership in NATO would increase Western interference in Yugoslav internal affairs and would decrease his bargaining position. He would also be reluctant to place Yugoslav troops under foreign command. In future talks with the Tripartite Powers (the US, UK, and France), Yugoslavia will probably continue to seek greater commitments from the NATO powers and may point to its membership in the Ankara Pact as justifying some form of closer Yugoslav association with the NATO powers. We believe that Yugoslavia will not press for full membership in NATO until it is convinced that only by doing so can it obtain the commitments it desires.

35. Italo-Yugoslav relations remain strained and constitute a major stumbling block to closer Yugoslav cooperation with the West. Principal irritants between the two nations are Trieste and the anti-Catholic policies of the Tito regime. The Yugoslavs are embittered by their belief that Italy is attempting to discourage Western economic and military assistance to Tito. Despite expressions of willingness by Italian and Yugoslav leaders to settle the Trieste issue, the resolution of this issue will not be easy; however, Yugoslavia will probably continue to seek an improvement in its relations with Italy in order to reduce one of the major obstacles to fuller Yugoslav participation in European defense arrangements.

36. We believe that the Yugoslavs have no present intention of precipitating a coup against the Hoxha regime. They probably calculate that to do so would create serious risks of provoking Western disfavor and Soviet retaliation. They probably would stage a coup, if they thought it could be done without incurring these risks; they might therefore be willing to cooperate with other powers in a coup attempt at some future date. However, Yugoslavia's cooperation probably would be contingent upon sufficient Yugoslav control over the method and nature of the coup attempt to minimize the dangers to Yugoslavia and upon a belief that Yugoslavia could eventually dominate the new Albanian regime.

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